

Contraband Tobacco in
Alberta, Manitoba, Quebec,
New Brunswick and
Nova Scotia:

Impact on Legal Sales and
Provincial Tobacco Tax Revenues

October 2024

Table of Contents

EXECUTIVE SUMMARY 3

I. INTRODUCTION 5

II. LEGAL CIGARETTE SALES VOLUMES: 2019 TO 2023 7

III. PRICE OF LEGAL TOBACCO PRODUCTS VERSUS CONTRABAND PRODUCTS 11

IV. RECENT CONTRABAND SEIZURES AND INVOLVEMENT OF ORGANIZED CRIME 21

V. ESTIMATING THE SIZE OF THE CONTRABAND MARKET 31

VI. QUANTIFICATION OF POTENTIAL PROVINCIAL TAX REVENUE LOSS 36

CONCLUSIONS 38

REFERENCES 39

APPENDIX 1 40

APPENDIX 2 42

Executive Summary

This EY report on contraband tobacco is the third in a series of studies commissioned by the Convenience Industry Council of Canada (“CICC”). It provides an estimate of the growing spread of contraband tobacco over five years from 2019 to 2023 in five provinces: Alberta, Manitoba, Quebec, New Brunswick and Nova Scotia and the likely impact in terms of diminished tobacco tax revenues in each of these provinces.

The second EY report, released in September 2023, examined the pattern of known legal and estimated contraband sales for four years from 2019 to 2022 in three provinces: British Columbia (“BC”), Ontario and Newfoundland & Labrador (“Nfld.”). Since direct measures of contraband are not available, the best indirect alternative is to use available measures of overall smoking prevalence (total number of smokers) and consumption (cigarettes consumed per smoker) in Canada to estimate total consumption and then subtract from it the known legal consumption. The residual should represent contraband sales or be a very close proxy for these sales. Using this method, legal sales volumes in each province were subtracted from the total market (obtained from the two annual smoking surveys that Statistics Canada conducts on behalf of Health Canada) to derive estimates of contraband in each province over the four-year time horizon.

The report concluded that in 2022 contraband cigarettes likely accounted for at least 32.1 percent of the total market in British Columbia, 38.7 percent in Ontario and 31.1 percent of the market in Newfoundland.

This third report uses a similar methodology and structure as the second report. Section II of the report tracks legal sales in all five provinces over the five years from 2019 to 2023. Section III compares the current price of legal cigarettes with the price of contraband cigarettes. Section IV provides recent anecdotal reports of contraband tobacco seizures and interdiction activities by law enforcement agencies. Section V estimates the size of the contraband market using the same methodological approach (with some necessary modifications) as the earlier report for BC, Ontario and Nfld. Section VI quantifies the likely annual tobacco tax revenue loss in each province due to contraband displacing legal tobacco sales and also quantifies the gross revenue that accrues to contraband sellers. Section VII provides a summary and conclusions.

Sales of legal, tax-paid cigarettes fell quite dramatically from 2019 to 2023 in all five provinces. There has been a 44.8 percent decline in Alberta; a 33.3 percent decline in Manitoba; a 25.5 percent decline in Quebec; a 37.4 percent decline in New Brunswick; and a 28.4 percent decline in Nova Scotia.

The retail price of a carton of 200 cigarettes in these five provinces ranges from a low of about \$140 in Quebec to a high of about \$178 in Nova Scotia. Tax accounts for a low of 59.8 percent of the retail price in Quebec to a high of 67.2 percent in Nova Scotia.

By comparison, the price of a carton of 200 contraband cigarettes can cost as little as \$30-\$40 if purchased at a “smoke shop” on a First Nations reserve or about \$40-\$50 if purchased off the reserve, either a local contraband “supplier/dealer” or over the internet from an online platform with home delivery included in the final price.

A sampling of recent media reports and press releases from major police operations undertaken across

the country provides solid anecdotal evidence of a continued growth in the spread of illicit tobacco and the involvement of organized crime groups who profit from it.

Using a similar methodological approach as in the second EY report for British Columbia, Ontario and Nfld., it is estimated here that in 2023 contraband likely accounted for 29.4 percent of the total market in Alberta, 45.0 percent in Manitoba, 11.9 percent in Quebec, 52.0 percent in New Brunswick and 38.4 percent in Nova Scotia.

It is estimated that in 2023 alone, the resulting provincial tobacco tax revenue loss may have been over \$102 million in Alberta; \$60 million in Manitoba; \$58 million in Quebec; \$42 million in New Brunswick; and \$54 million in Nova Scotia. Over the past three years in all five provinces taken together, the loss may have totalled over \$760 million. This does not take into account the loss in PST/HST revenue (in all provinces except Alberta) or federal excise duty and GST revenue.

Gross sales revenue realized by the sellers of contraband cigarettes in these five provinces for the same three-year period, 2021– 2023 is estimated at over \$1.3 billion. These revenues generate profits for organized crime groups that help fuel their other illegal activities.

I. Introduction

This report on contraband tobacco is the third in a series of studies commissioned from EY Canada by the Convenience Industry Council of Canada (“CICC”). It provides an estimate of the growing spread of contraband tobacco over five years from 2019 to 2023 in five provinces: Alberta, Manitoba, Quebec, New Brunswick and Nova Scotia and the likely impact in terms of diminished tobacco tax revenues in each of these provinces.

It follows two previous studies. In 2020, EY conducted *The Impact of COVID-19 on contraband tobacco and provincial tax revenues in Canada* study for the CICC.¹ Released in December 2020, it established a clear causal link between the temporary closure of tobacco manufacturing operations and “smoke shops” on First Nations reserves at the onset of the COVID-19 pandemic in mid-March 2020 and a resultant marked uptick in legal cigarette sales across Canada as the available supply of contraband dried up. Legal cigarette sales peaked in June 2020, representing a 24% increase over sales compared to June 2019. Notably, however, when on-reserve cigarette factories and stores re-opened in July of 2020, legal sales plummeted back down to pre-pandemic levels as the production and distribution of contraband tobacco products resumed and they quickly regained their lost market share.

The second report, released in September 2023, examined the pattern of legal sales for four years from 2019 to 2022 in three provinces: British Columbia, Ontario and Newfoundland & Labrador (“Nfld.”).² Legal sales data was obtained from the three major manufacturers of tobacco products who are members of the Canadian Tobacco Manufacturers Council (“CTMC”).³ Since direct measures of contraband are not available, the best indirect alternative is to use available measures of overall smoking prevalence (total number of smokers) and consumption (cigarettes consumed per smoker) in Canada to estimate total consumption and then subtract from it the known legal consumption. The residual should represent contraband sales or be a very close proxy for these sales. Using this method, legal sales volumes in each province were subtracted from the total market (obtained from the two annual smoking surveys that Statistics Canada conducts on behalf of Health Canada) to derive estimates of contraband in each province over the four-year time horizon. The report concluded that in 2022 contraband cigarettes likely accounted for at least 32.1 percent of the total market in British Columbia, 38.7 percent in Ontario and 31.1 percent of the market in Newfoundland.

¹ See <https://convenienceindustry.ca/wp-content/uploads/2024/09/EY-Report-2021.pdf>

² See <https://convenienceindustry.ca/wp-content/uploads/2024/09/EY-Report-on-Contraband-Tobacco-in-BC-Ontario-and-Nfld-September-2023.-FINAL.pdf>

³ The CTMC members are Imperial Tobacco Canada Limited (“ITCAN”), Rothman’s Benson & Hedges (“RBH”) and Japan Tobacco Incorporated (“JT1”). Their sales account for virtually the entire legal sales market in these provinces. This data was obtained under the terms of a Non-Disclosure Agreement (“NDA”) and is released here in aggregated format for the industry.

This third report uses a similar methodology and structure as the second report. Section II of the report tracks legal sales in all five provinces over the five years from 2019 to 2023 using sales data once again sourced from the CTMC. Section III compares the current price of legal cigarettes with the price of contraband cigarettes. Section IV provides recent anecdotal reports of contraband tobacco seizures and interdiction activities by law enforcement agencies, illustrating the continued expansion of organized crime groups in the illicit tobacco trade and showing how the lucrative profits help finance their other illicit activities. Section V estimates the size of the contraband market using the same methodological approach (with some necessary modifications) as the earlier report for BC, Ontario and Nfld. Section VI quantifies the likely annual tobacco tax revenue loss in each province due to contraband displacing legal tobacco sales and also quantifies the gross revenue that accrues to contraband sellers. Section VII provides a summary and conclusions.

II. Legal Cigarette Sales Volumes: 2019 to 2023

Legal sales volumes from 2019 to 2023 for these five provinces are shown in Table 1, below, and are tracked graphically in Figures 1.0 to 1.5.

Table 1

Legal Cigarette Sales by Province, 2019 – 2023 (millions of sticks)						
Province	2019	2020	2021	2022	2023	% Change
Alberta	3,253.2	2,857.0	2,451.9	2,057.6	1,796.3	- 44.8%
Manitoba	738.8	714.4	677.6	562.7	493.0	- 33.3%
Quebec	6,191.7	6,116.6	5,800.7	5,206.6	4,611.5	- 25.5%
New Brunswick	494.3	528.0	462.7	385.4	309.4	- 37.4%
Nova Scotia	832.2	831.8	776.0	701.8	595.7	- 28.4%

Source: Canadian Tobacco Manufacturers Council (CTMC) member companies.

Figure 1

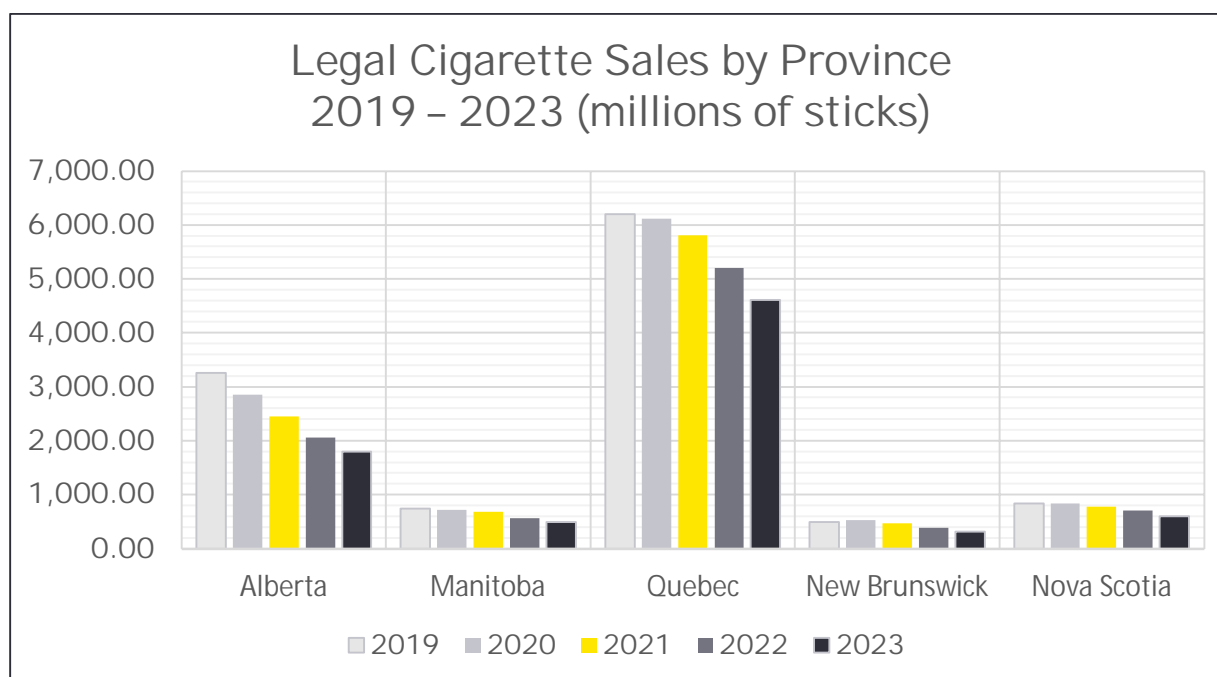


Figure 1.1

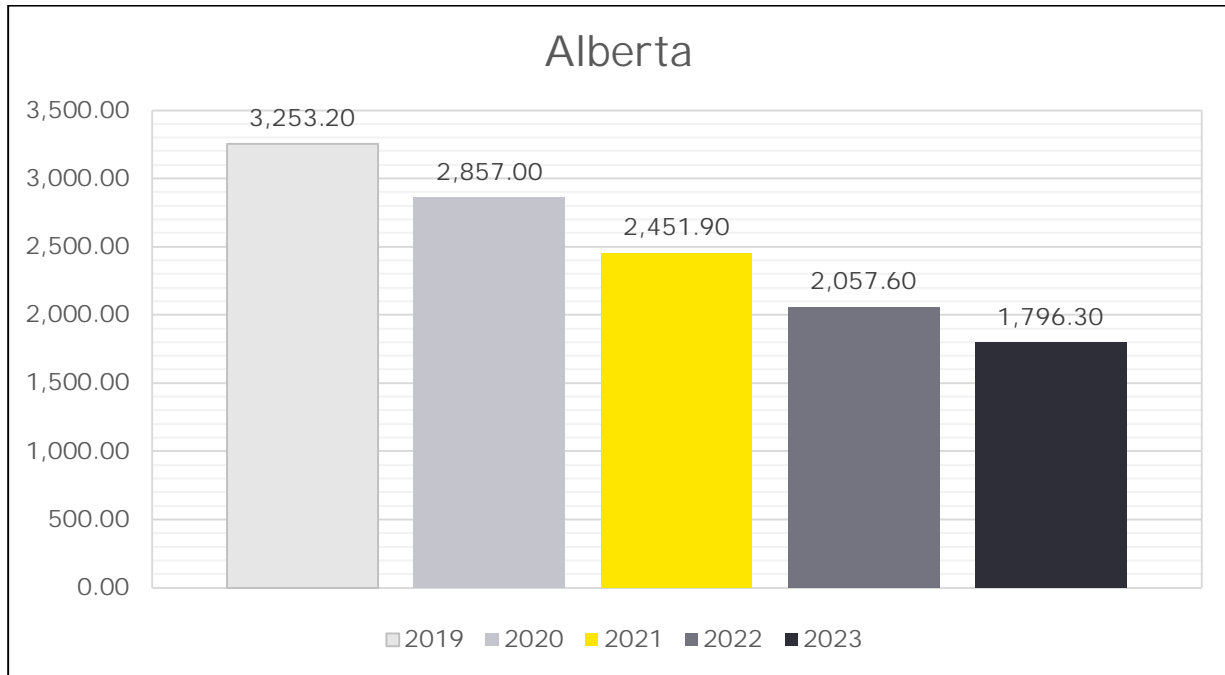


Figure 1.2

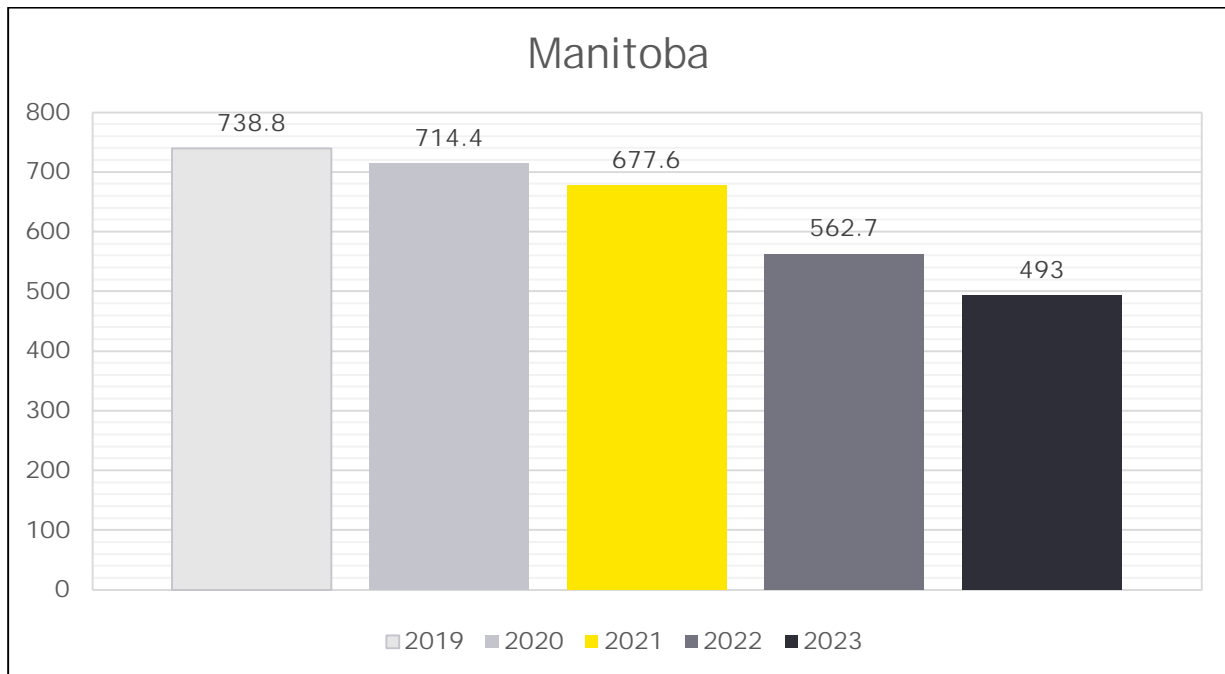


Figure 1.3

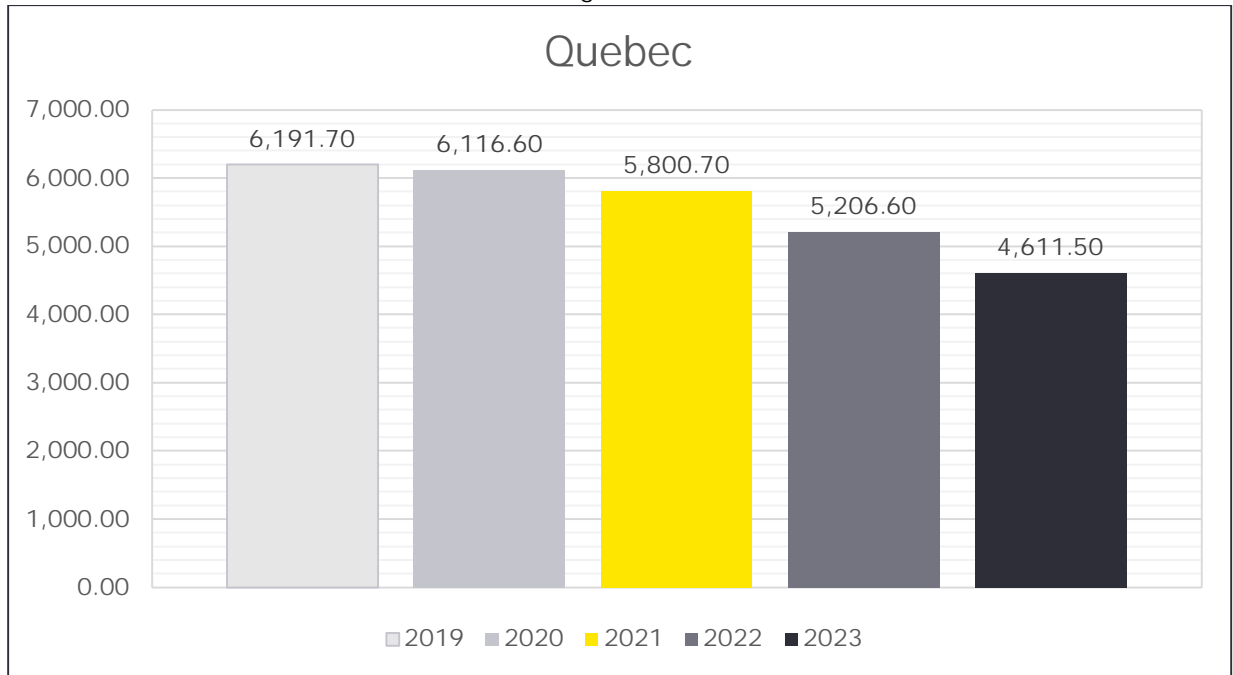


Figure 1.4

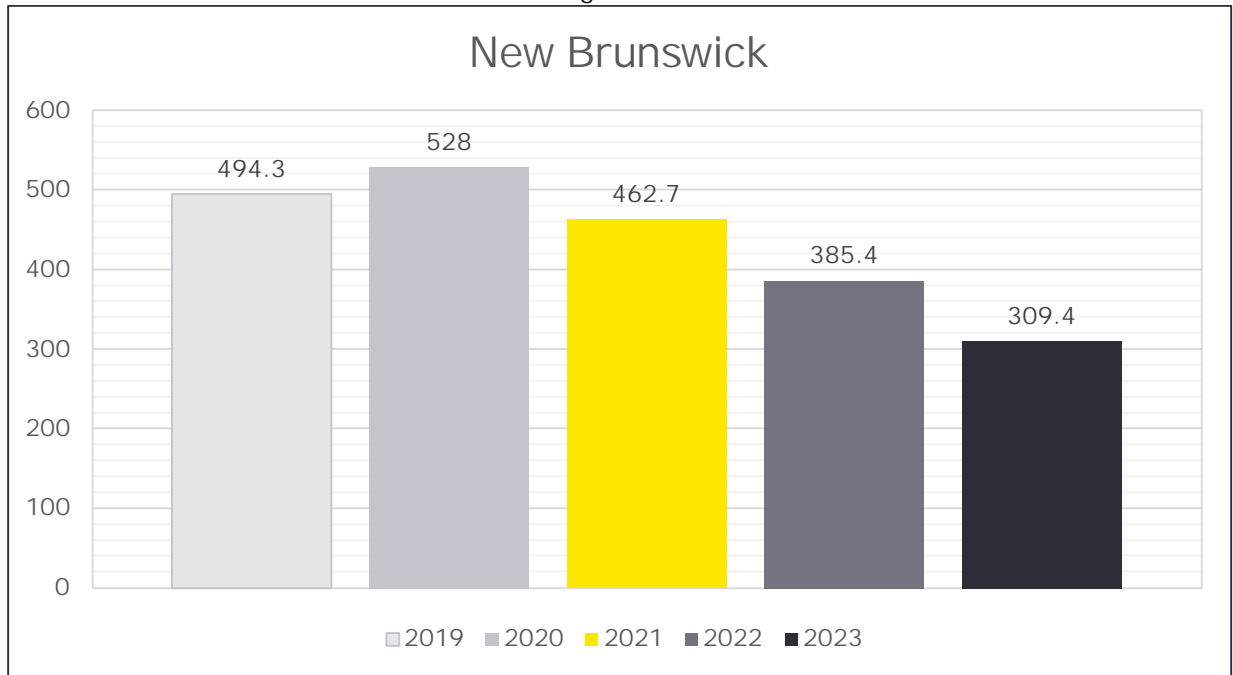
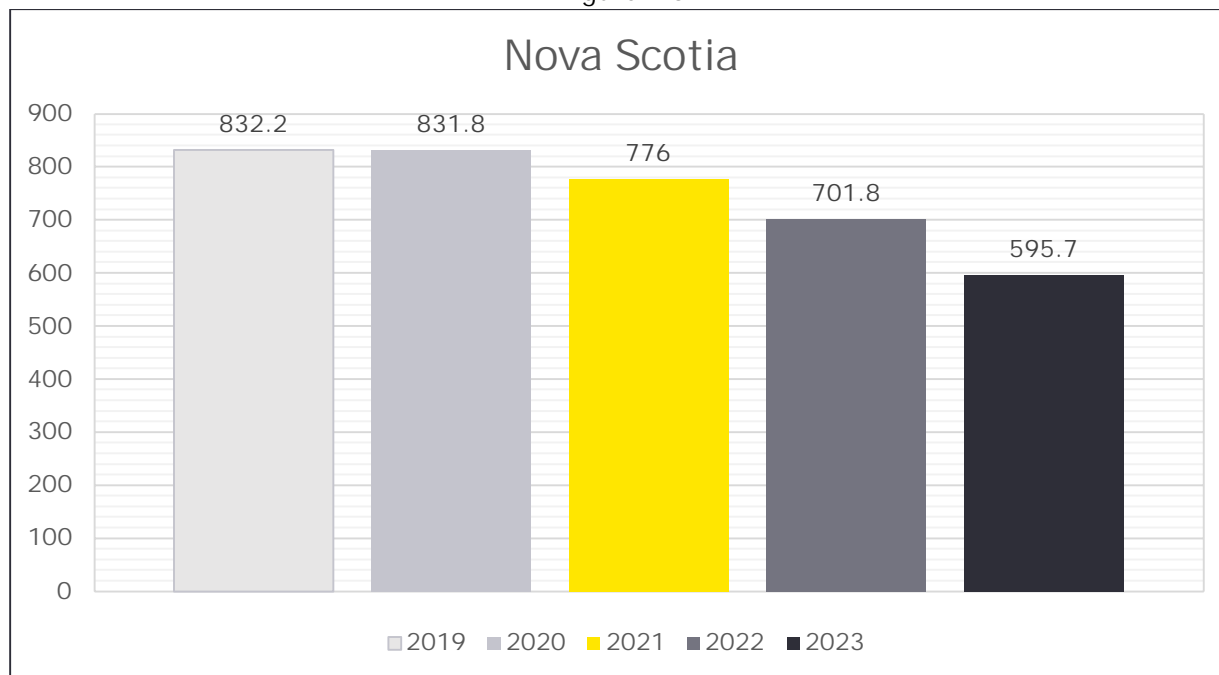


Figure 1.5



As this table and these figures show, legal sales from 2019 to 2023 have fallen quite dramatically in all five provinces. There has been a 44.8 percent decline in Alberta; a 33.3 percent decline in Manitoba; a 25.5 percent decline in Quebec; a 37.4 percent decline in New Brunswick; and a 28.4 percent decline in Nova Scotia.

It is worth noting that legal sales in the two Atlantic provinces included in this study, New Brunswick and Nova Scotia, were quite resilient in 2020 (actually rising in NB). The previous EY study showed a similar result in Newfoundland in 2020. This aberration from the general downward trend in legal sales is directly attributable to the shutdown of contraband cigarette factories on First Nations reserves from March to June 2020 as part of the COVID-19 lockdowns and the effective enforcement of “Atlantic Bubble” travel restrictions that were in place during that same period.

III. Price of Legal Tobacco Products versus Contraband Products

Figure 2 shows the average legal price of a pack of 20 cigarettes in each Canadian province or territory as of April 2024. Table 2 breaks down the tax component of a carton of 200 cigarettes in each province and territory by tax type. The retail price of a carton of 200 cigarettes in these five provinces ranges from a low of about \$140 in Quebec to a high of about \$178 in Nova Scotia. Tax accounts for a low of 59.8 percent of the retail price in Quebec to a high of 67.2 percent in Nova Scotia.

Figure 2
Retail Price of a Pack of 20 Cigarettes

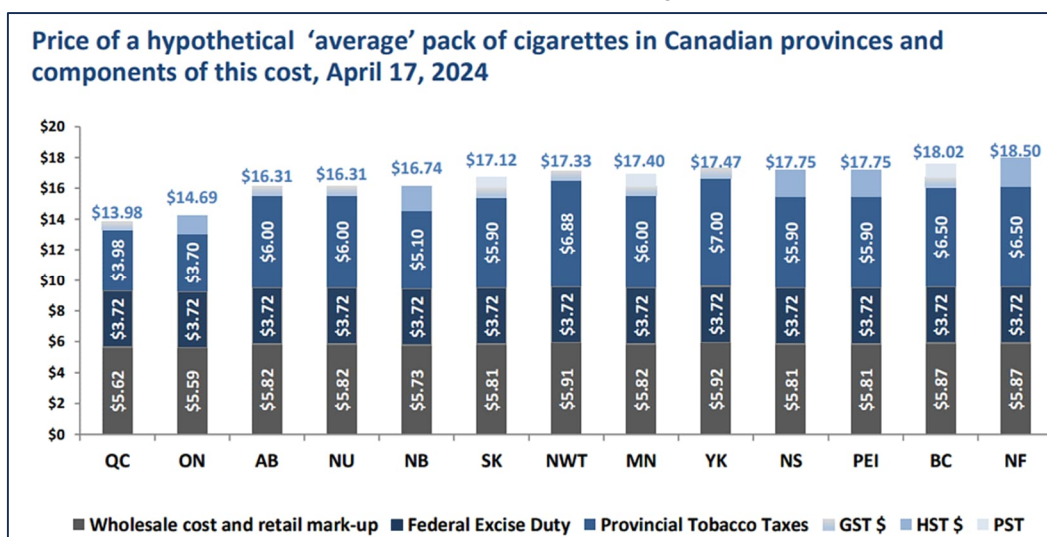


Table 2

Per 200 cigarettes	Whole sale	Retail (10%)	Excise Taxes			Sales taxes applied to tobacco				Cost of a package of 20 cigarettes
			Federal Excise Tax	Prov. Excise	Total Excise taxes	GST	PST	HST	Total	
British Columbia	\$44.10	\$14.63	\$37.15	\$65.00	\$102.15	5%		7%	12%	\$18.02
Alberta	\$44.10	\$14.13	\$37.15	\$60.00	\$97.15	5%			5%	\$16.31
Saskatchewan	\$44.10	\$14.03	\$37.15	\$59.00	\$96.15	5%	6%		11%	\$17.12
Manitoba	\$44.10	\$14.13	\$37.15	\$60.00	\$97.15	5%	7%		12%	\$17.40
Ontario	\$44.10	\$11.82	\$37.15	\$36.95	\$74.10				13%	\$14.69
Quebec	\$44.10	\$12.11	\$37.15	\$39.80	\$76.95	5%				\$13.98
New Brunswick	\$44.10	\$13.23	\$37.15	\$51.04	\$88.19				15%	\$16.74
Nova Scotia	\$44.10	\$14.03	\$37.15	\$59.04	\$96.19				15%	\$17.75
Prince Edward Island	\$44.10	\$14.03	\$37.15	\$59.04	\$96.19				15%	\$17.75
Newfoundland & Lab	\$44.10	\$14.63	\$37.15	\$65.00	\$102.15				15%	\$18.50
Northwest Territories	\$44.10	\$15.01	\$37.15	\$68.80	\$105.95	5%				\$17.33
Nunavut	\$44.10	\$14.13	\$37.15	\$60.00	\$97.15	5%				\$16.31
Yukon	\$44.10	\$15.13	\$37.15	\$70.00	\$107.15	5%				\$17.47

Note: Cigarettes are sold in Canada at different prices depending on the brand; the retail and wholesale price of the same brand of cigarettes will vary by location depending on the contractual arrangements between manufacturers and retailers. See: Callard CD, Collishaw N. Cigarette pricing 1 year after new restrictions on tobacco industry retailer programmes in Quebec, Canada. Tobacco Control 2019;28:562-565.

Source: Physicians for a Smoke Free Canada; https://www.smoke-free.ca/pdf_1/taxrates.pdf

It should be noted that federal excise duties have increased by 52.4 percent over the period April 2019 to April 2024 (and by 17.3 percent in the last year alone). For details of tobacco tax rates see Appendix 1.

Meanwhile, on the contraband side of the market, a carton of 200 contraband cigarettes can cost as little as \$30-\$40 if purchased at a “smoke shop” located on a First Nations reserve or an average of about \$40-\$55 if purchased off the reserve, either in person through the local contraband “supplier/dealer” network or purchased over the internet from an online platform with home delivery included in the final price.

In all of these cases, it is illegal for non-reserve residents or individuals that are not First Nations to purchase or possess unstamped, tax-free, First Nations produced tobacco products. While some online retailers indicate they operate from First Nations reserves, others may be managed by organized criminal groups off-reserve.

A number of online websites sell and deliver ‘native brand’ contraband cigarettes anywhere in Canada in violation of Canadian laws.⁴ They often exhibit age and health warnings to give an air of legitimacy, but these are not enforced. Some offer volume discounts for more than one carton purchased. Shipping costs are sometimes also volume based, running initially at about \$25/carton, but decreasing significantly with volume purchases (e.g., shipping 1-4 cartons costs \$25; 5-24 cartons costs \$50; 25-49 cartons costs \$75; etc.). In other words, shipping costs can be as low as \$1.50/carton depending on the per order volume purchased. Other sellers offer a flat rate shipping fee of \$35 with a volume limit of 8 cartons (for a shipping cost of \$4.37/carton). At one website, shipping is free for orders over \$99. Payment is by Interac e-Transfer.

Web pages extracted from three of these websites (Native Cigarettes; Native Smokes 4 less; and Select Smokes) and links to their websites are shown on the pages that follow:

⁴ For example, under Ontario's *Tobacco Tax Act*, unless otherwise authorized, it is illegal to buy, possess or distribute any quantity of untaxed cigarettes or any other untaxed tobacco products. <https://www.ontario.ca/document/tobacco-tax/contraband-tobacco#:~:text=Under%20the%20Tobacco%20Tax%20Act,any%20other%20untaxed%20tobacco%20products.>

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Aanii,

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Nibiindigek, Miigwetch.


19
GOVERNMENT I.D. WITH A PHOTO AND BIRTH DATE MUST BE SHOWN WHEN REQUESTING TO PURCHASE TOBACCO PRODUCTS.
TOBACCO PRODUCTS ARE ADDICTIVE AND KILLS OUT OF EVERY 2 LONG TERM SMOKERS. IT IS ILLEGAL TO SELL OR SUPPLY TOBACCO TO ANYONE UNDER 19 YEARS OF AGE.

19
TOBACCO PRODUCTS ARE ADDICTIVE AND KILLS OUT OF EVERY 2 LONG TERM SMOKERS. IT IS ILLEGAL TO SELL OR SUPPLY TOBACCO TO ANYONE UNDER 19 YEARS OF AGE.


18
GOVERNMENT SUPPLIED PHOTO I.D. WITH BIRTHDATE AND SIGNATURE IS REQUIRED.
IT IS ILLEGAL TO GIVE OR SELL TOBACCO OR VAPOUR PRODUCTS TO ANYONE UNDER 18 YEARS OF AGE.
TOBACCO IS VERY ADDICTIVE - ESPECIALLY FOR YOUNG PEOPLE.

EY | 13

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Home / Discount Cigarettes < Prev | Next >



Discount Cigarettes
C\$40.00

Flavor

Quantity

Add to Cart

Maximum Order Limit —
Please note all orders are limited to an 8 carton purchase limit.


Payment Methods +

To purchase this product +

f

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DK Cigarettes
C\$40.00

Flavor: Select

Quantity: 1

Add to Cart

Maximum Order Limit -
Please note all orders are limited to an 8 carton purchase limit.

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CIGARETTES VAPES POUCHES

BEST SELLERS

 <p>Canadian Classics Original (King Size) \$6.00 - \$55.00</p>	 <p>Canadian Premium Special (King Size) \$6.00 - \$55.00</p>	 <p>Canadian Classics Silver (King Size) \$6.00 - \$55.00</p>	 <p>Canadian Full (King Size) \$6.00 - \$55.00</p>
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Adam from Select Smokes
Hey there 🤖 Welcome to Select Smokes 🌟 Take a look around! If you...

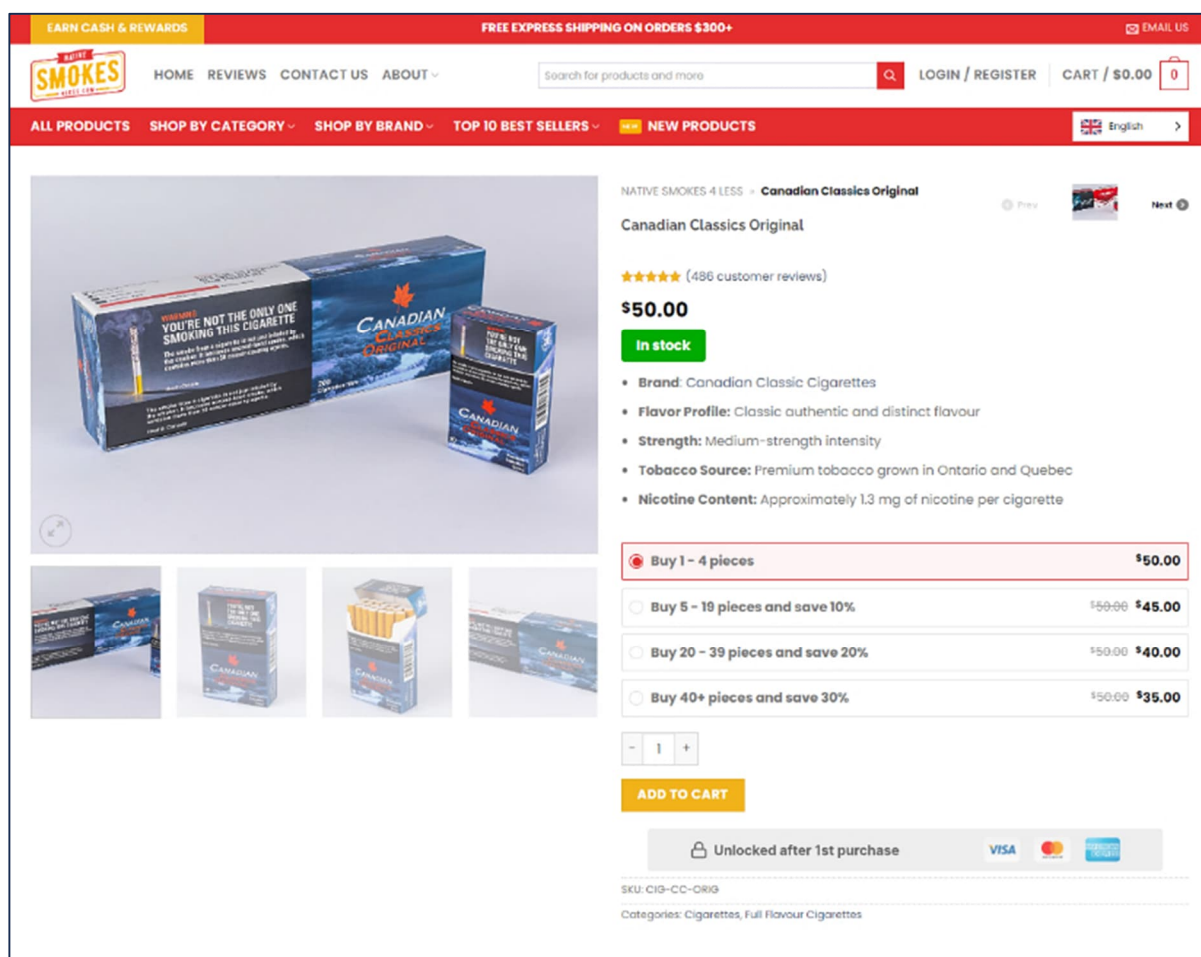
NEED HELP FINDING SOMETHING?
WE'RE HAPPY TO HELP!

Source: <https://selectsmokes.se/>

Contraband Tobacco in Alberta, Manitoba, Quebec, New Brunswick and Nova Scotia:
Impact on Legal Sales and Provincial Tobacco Tax Revenues

The screenshot displays the 'Shop' page for Native Smokes 4 Less. The header includes navigation links like 'HOME', 'REVIEWS', and 'CONTACT US', along with a search bar and a cart icon showing 0 items. The main content area features a grid of product listings. Each listing includes a product image, name, price, star rating, and an 'ADD TO CART' button. A 'FILTER BY PRICE' slider is visible on the left side of the grid.

Product Name	Price	Rating	Action
Canadian Classics Original	\$50.00	★★★★★	ADD TO CART
Canadian Classics Silver	\$50.00	★★★★★	ADD TO CART
Canadian Lights Cigarettes	\$50.00	★★★★★	ADD TO CART
Canadian Full Flavour	\$50.00	★★★★★	ADD TO CART
Canadian Menthol	\$50.00	★★★★★	ADD TO CART
BB Lights Cigarettes	\$50.00	★★★★★	ADD TO CART
Rolled Gold Lights	\$50.00	★★★★★	ADD TO CART
Rolled Gold Full Flavor	\$50.00	★★★★★	ADD TO CART
Zyn Citrus Nicotine Pouches 6mg	\$19.99 (33% OFF)	★★★★★	READ MORE
Zyn Spearmint Pouches 6mg	\$19.99 (33% OFF)	★★★★★	READ MORE
Zyn Wintergreen Pouches 6mg	\$19.99 (33% OFF)	★★★★★	READ MORE
Nexus Light Cigarettes	\$50.00	★★★★★	ADD TO CART



Source: <https://nativesmokes4less.com/shop-now/>

It is interesting to note that the available "PRODUCT CATEGORIES" have expanded considerably on this latter website compared to the earlier version shown in EY's second report in 2023 (as reproduced on the next page).

Products now include items like vape pods and nicotine pouches. In August 2024, the federal government announced that Health Canada is introducing new measures requiring nicotine pouches to be sold only by a pharmacist or an individual working under the supervision of a pharmacist, and to be kept behind the pharmacy counter, prohibit them from being sold with flavours other than mint or menthol and require a front of package nicotine addiction warning.⁵ It is noteworthy how easily contraband entrepreneurs are able to thwart these new rules and begin to profit from them at the direct expense of legal convenience store sellers and at the same time defeat the intended public health policy purpose of the restrictions.

⁵ Health Canada introduces new measures to help prevent harms to youth from nicotine replacement therapies; <https://www.canada.ca/en/health-canada/news/2024/08/health-canada-introduces-new-measures-to-help-prevent-harms-to-youth-from-nicotine-replacement-therapies.html>

The screenshot displays the 'Shop' page of the Natives Smokes 4 Less website. The page features a navigation bar with a search bar, links for 'ABOUT', 'BLOG', 'SHIPPING', 'LOCATIONS', and 'CONTACT US', and a cart icon showing 11 items for \$495.00. Below the navigation bar, there are links for 'ALL PRODUCTS', 'SHOP BY BRAND', 'CIGARETTES', 'CIGARS', 'SMOKELESS TOBACCO', 'NICOTINE POUCHES', and 'SHISHA'. The main content area is titled 'Shop' and includes a search bar and a 'Sort by popularity' dropdown. A promotional message states: 'Check out our supply of high-quality smoking products! All of our cigarette brands come in King Sized and in packs of 20. We ship to anywhere in Canada. We offer both standard and express options with rates starting at \$25. Place your order online, we'll have it shipped directly to you! Cartons, packs, combinations, and more.'

The product grid consists of 12 items, each with an image, name, price, and an 'ADD TO CART' button:

- Canadian Classics Original**: \$50.00, 5 stars
- Canadian Classics Silver**: \$50.00, 4.5 stars
- Canadian Lights**: \$50.00, 5 stars
- Canadian Full Flavour**: \$50.00, 5 stars
- Rolled Gold Lights**: \$50.00, 5 stars
- BB Lights**: \$50.00, 5 stars
- Canadian Menthol**: \$55.00, 5 stars
- Rolled Gold Full Flavor**: \$50.00, 5 stars
- BB Canadian Blend Full Flavor**: \$50.00, 5 stars
- duMont Full**: \$55.00, 5 stars
- duMont Light**: \$55.00, 5 stars
- Canadian Goose Lights**: \$60.00, 5 stars

On the left side of the page, there are filters for 'PRODUCT CATEGORIES' (Cigarettes, Cigars, Nicotine Pouches, Shisha, Smokeless Tobacco, Uncategorized) and 'FILTER BY BRAND' (Any Brand). A 'FILTER BY PRICE' slider is also present, showing a price range from \$20 to \$70.

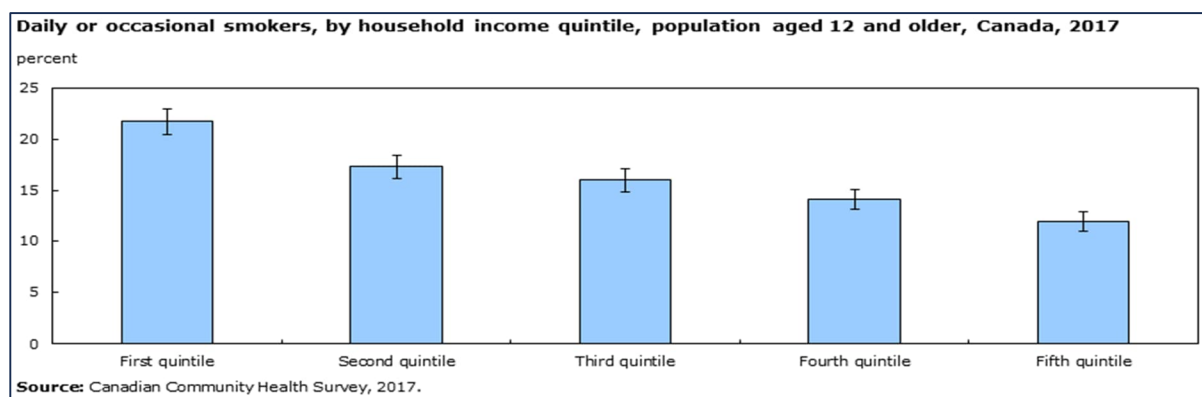
On the supply side of the market, the larger the price differential between legal and contraband products, the greater the financial return and profitability from contraband production and sales and the greater the incentive to supply the market with significant amounts of contraband products.

As outlined above, taxes and retail prices for legal products have increased considerably over the past five years. By contrast, retail prices for contraband products have remained remarkably stable, thereby increasing their competitive price advantage and profitability through volume sales.

It should be noted that these website photos and product descriptions show that federal and provincial tobacco taxes are not being applied on these online contraband sales in clear violation of federal and provincial tax legislation. The packages also violate Canadian health packaging and labelling requirements.

On the demand side of the market, the larger this price differential is, the more attractive contraband becomes to consumers and the higher the likelihood that smokers will decide to substitute some or all of their consumption of legal tax-paid products with cheaper contraband products.

Health researchers have established a strong correlation between tobacco consumption and personal income. For example, the 2017 Canadian Community Health Survey found that over 1 in 5 Canadians were smokers (21.7%) in households at the lowest income quintile (“First quintile” in the chart, below) compared to only just over 1 in 10 (11.9%) in households in the highest income quintile.⁶



An indication of the marketing strategy employed by producers and sellers of contraband cigarettes is how they use price discrimination techniques for differing market segments to deal with Canada’s current affordability crisis, especially among those smokers with lower incomes. Although not offered to online buyers, in some on-reserve smoke shops there has been a resurgence of “baggies” or “rollies” being advertised and sold at incredibly low prices (as low as \$12 for 200 cigarettes), clearly targeting low-income buyers.




⁶ See Statistics Canada, Health Fact Sheets, Smoking, 2017 [Smoking, 2017 \(statcan.gc.ca\)](https://www150.statcan.gc.ca/n1/pub/82-625-x/2017001/article/00001-eng.htm), as reported in Canadian Public Health Association, Tobacco and Vaping Use in Canada: Moving Forward, May 31, 2021. <https://www.cpha.ca/tobacco-and-vaping-use-canada-moving-forward>

IV. Recent Contraband Seizures and Involvement of Organized Crime

The second EY report published in September 2023 documented the involvement of organized crime groups (OCGs) in supplying fine-cut tobacco to unlicensed on-reserve cigarette factories as well as in the distribution and sale of finished tobacco products from reserves to the off-reserve general public. This material is not repeated here since it is available in the online version of that report, cited elsewhere here.






More recent 2024 media reports and press releases from major police operations undertaken across the country reveal the continued scope and breadth of organized crime and illicit tobacco. A sampling of these reports is shown in the pages that follow:





David Prislak
Digital Journalist - CTV News
Regina
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Updated Jan. 9, 2024 2:14 p.m. EST
Published Jan. 9, 2024 7:00 a.m. EST

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Saskatchewan RCMP are reporting to have seized nearly four million unstamped cigarettes in a traffic stop on Sunday.

On Jan. 7, at around 1 p.m., RCMP stopped a semi on Highway 11 near Lumsden.

RCMP officers reportedly observed evidence of illegal cigarettes and searched the trailer.

Police discovered 12.5 pallets of unstamped tobacco – totalling 358 cases or 3.56 million individual cigarettes.


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- 42,000 cartons of illegal cigarettes seized during Sask. traffic stop
- 5.4 million unstamped cigarettes and shisha tobacco seized near Indian Head: RCMP
- Sask. RCMP seize more than 200,000 illegal cigarettes from village business

Following the discovery, the 25-year-old Edmonton man who was driving the semi was arrested.


He faces four charges under the Tobacco Tax Act and made his first appearance in provincial court on Monday.

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A total of 3.56 million illegal cigarettes were seized near Lumsden, Sask. (Source: Sask. RCMP)

Source: [Nearly 4 million unstamped cigarettes seized in Sask. traffic stop | CTV News](#)

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VANCOUVER

B.C. police seize speedboat, cocaine, \$11M in contraband cigarettes




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Updated Feb. 13, 2024 9:53 p.m. EST
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Four suspects have been arrested and released from custody amid a months-long investigation into the trafficking of drugs and contraband tobacco in British Columbia.

The province's anti-gang task force, the Combined Forces Special Enforcement Unit, executed seven search warrants late last month on properties in Abbotsford, Langley, Surrey and Victoria, the unit said in a news release Tuesday.

Investigators seized a nine vehicles – including a speedboat and a stolen Porsche Cayenne – as well as nearly three dozen guns, a large quantity of ammunition, 35 pallets of contraband cigarettes, a half-kilogram of cocaine and 80 kilograms of cannabis.

The CFSEU estimates the retail value of the cigarettes at approximately \$11 million.

RELATED STORIES

- 'Full-patch' member of Hells Angels support club among 3 arrested in B.C. organized crime probe
- 3D printer seized as part of firearms trafficking probe in B.C.
- Charges laid, drugs and guns seized in alleged cross-Canada trafficking operation based in B.C.

Police also confiscated a hydraulic cocaine press, 10 pallets of contraband liquor and body armour, according to the release.

'Largest one-time seizure of contraband cigarettes in B.C.'

The investigation began in August 2023, when investigators obtained information about an alleged drug and contraband tobacco trafficking network.

Police say the investigation quickly broadened into multiple jurisdictions around B.C.'s Lower Mainland

and southern Vancouver Island, involving suspects believed to be connected to organized crime.

"Organized crime groups support their criminal enterprise in various ways, including by dealing in illicit commodities," Sgt. Brenda Winpenny said in the release.

"This investigation resulted in the largest one-time seizure of contraband cigarettes in B.C. and speaks to CFSEU-BC's dedication to fulfilling its mandate to disrupt and support the prosecution of those gang-involved individuals who impact public safety and seek to make profits off of illegal commodities," she added.

Following the announcement of the seizures, B.C. Public Safety Minister Mike Farnworth provided a statement to CTV News, saying the provincial government continues to target criminals who profit from "the misery of others."

"Our government is taking action to fight gangs, organized crime, and the criminals who are making and trafficking deadly drugs and firearms," Farnworth said. "This significant seizure, which includes drug manufacturing equipment, a speedboat, stolen vehicles, and assault rifles, is a result of multiple police agencies and the Province coordinating their efforts."

B.C. Finance Minister Katrine Conroy echoed his remarks in a statement saying her ministry's tobacco enforcement team "has done exemplary work" alongside the CFSEU.

"The collaboration that led to this seizure – the largest one-time seizure of contraband cigarettes in B.C. – underscores our government's dedication to taking on gangs and organized crime," Conroy added.

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1 / 2



Investigators seized a nine vehicles – including a speedboat and a stolen Porsche Cayenne – as well as nearly three dozen guns, a large quantity of ammunition, 35 pallets of contraband cigarettes, a half-kilogram of cocaine and 80 kilograms of cannabis. (CFSEU)

Source: [B.C. police seize speedboat, cocaine, \\$11M in contraband cigarettes | CTV News](#)

VANCOUVER | News

Mounties seize 27 tonnes of illegal cigarettes in B.C. busts valued at \$24M

Todd Coyne



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Federal investigators have seized 27 tonnes of contraband cigarettes in British Columbia, the culmination of a yearlong enforcement program targeting organized crime, the Mounties announced Friday.

The cigarettes were seized in two separate busts, netting 133,000 cartons with a total estimated retail value of \$24 million, according to police.

Updated March 8, 2024 9:59 p.m. EST
Published March 8, 2024 1:12 p.m. EST

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The most recent seizure was on Feb. 28, when investigators raided four properties in Maple Ridge and Mission and seized 67,500 cartons, representing the largest one-time seizure of contraband cigarettes in the province.

Two people were arrested and police also seized 70 pounds of silver and \$100,000 cash, assistant commissioner David Teboul of the RCMP's federal policing program announced in a news conference Friday alongside B.C. Public Safety Minister and Solicitor General Mike Farnworth.

RELATED STORIES

- [B.C. police arrest 8 men, seize 356,000 counterfeit pills in fentanyl bust](#)
- [B.C. police seize speedboat, cocaine, \\$11M in contraband cigarettes](#)
- [B.C. judge rejects extradition of man accused of selling drugs that killed U.S. Navy sailors](#)

The RCMP's federal serious and organized crime unit opened the investigation into contraband tobacco sales in the fall of 2023, leading to the discovery of multiple suspected storage and distribution facilities, police said.

The investigation followed seizures last year of more than 66,000 cartons of illegal cigarettes, valued at an estimated \$12 million. Police say that began in Nanaimo but quickly expanded to include multiple sites in Metro Vancouver, Vancouver Island and Edmonton.

"The organized crime network involved in this contraband tobacco trafficking operation was also suspected of being linked to cross-border cocaine smuggling and money laundering activities," federal RCMP spokesperson Cpl. Arash Seyed said in a news release.

Most organized crime groups that deal in contraband tobacco also traffic narcotics, using the "same drug pipelines for their movement," Teboul added.

The seizures follow an announcement last month that B.C.'s anti-gang task force, the Combined Forces Special Enforcement Unit, had [arrested four people](#) and seized 35 pallets of contraband cigarettes during a separate investigation.

The CFSEU case involved searches of properties in Surrey, Victoria, Abbotsford and Langley, where contraband liquor, guns, drugs, eight vehicles and a speedboat were also seized.

The agency estimated the retail value of the earlier cigarette seizure at approximately \$11 million.

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Some of the contraband cigarettes are shown by the RCMP on March 8, 2024. (CTV News)

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The cigarettes were seized in two separate busts, with a total estimated retail value of \$24 million, according to police. (RCMP)

Source: <https://bc.ctvnews.ca/mounties-seize-27-tonnes-of-illegal-cigarettes-in-b-c-busts-valued-at-24m-1.6800193>

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Home → News → Money laundering amongst latest charges laid in Project Bustle, a RCMP interprovincial drug-trafficking and organized crime investigation

Money laundering amongst latest charges laid in Project Bustle, a RCMP interprovincial drug-trafficking and organized crime investigation

June 14, 2024 | Gander, Newfoundland and Labrador | News release

Project Bustle, a three-year investigation into interprovincial drug trafficking by an organized crime network, was concluded this week by RCMP Federal Policing - Eastern Region, with the latest charges including money laundering. Staff Sergeant David Emberley provided details of the investigation at a news conference in Gander today.

"Project Bustle is the result of the priority the RCMP Federal Policing – Eastern Region places on disrupting the criminal networks responsible for drug trafficking in Newfoundland and Labrador. This investigation is one of the largest the RCMP has seen in terms of money laundering in this province, with a value of over \$1 million of illicit income identified. The eight kilograms of cocaine seized were undoubtedly headed to the streets of communities throughout our province for the benefit of the network of criminals involved. I commend our investigative team and our partners for their diligence and great work. We will continue our efforts to address organized crime and lay charges wherever appropriate."

The investigation began in February, 2021, and led to the execution of search warrants at four homes in the communities of St. John's, Gander, Appleton and Humber Valley, as well as at a commercial storage unit in Corner Brook in November and December 2022. An additional search was executed at a storage complex in Gander on June 11, 2024. The following items were seized during the investigation:

- approximately eight kilograms of cocaine
- more than \$173,000.00 cash
- 1.7 kilograms of illicit cannabis
- a quantity of contraband tobacco
- drug paraphernalia and items consistent with drug trafficking
- a Range Rover SUV
- an Acura SUV
- a 2013 Yamaha SX 210 twin-engine boat
- a 2013 Shore Lander boat trailer
- a quantity of gold coins
- a quantity of gold bars
- high-end jewellery
- encrypted cellular phones

Five people were charged with multiple offences in late 2023 related to the trafficking of cocaine. Two of these individuals, currently residents of Gander, were also charged with the following offences this week:

- 43-year-old Stephen Kelly
 - Money Laundering
 - Possession of the Proceeds of Crime – four counts
- 33-year-old Kathleen Pelley
- Money Laundering
- Possession of the Proceeds of Crime

For a complete list of charges and the individuals charged in Project Bustle, see the Backgrounder below.

Project Bustle was assisted by the RCMP-RNC Joint Forces Operation West, RCMP Police Dog Services, RCMP Forensic Identification Services, and other specialized units. External partners also assisted the investigation: Canada Border Services Agency, Canada Revenue Agency, Canadian Air Transport Security Authority, the Financial Transactions and Reports Analysis Centre of Canada, the Forensic Accounting Management Group, and Seized Property Management Directorate.

Source: <https://www.rcmp-grc.gc.ca/en/news/2024/money-laundering-amongst-latest-charges-laid-project-bustle-a-rcmp-interprovincial-drug>

The screenshot shows the Royal Canadian Mounted Police website. At the top, there is a navigation bar with the RCMP logo and name in both English and French, along with links for Canada.ca, Services, Departments, and Français. Below this is a red header with the text 'Royal Canadian Mounted Police' and a search bar. A secondary navigation bar contains links for Services, Locations, A-Z site index, Careers, and Help us. The main content area features a breadcrumb trail: Home → News → Male charged after 8.75 million unstamped cigarettes seized from semi trailer. The headline is 'Male charged after 8.75 million unstamped cigarettes seized from semi trailer'. The article is dated August 9, 2024, and is categorized as a 'News release' from Swift Current, Saskatchewan. The text describes an inspection on July 17, 2024, by a Saskatchewan Highway Patrol (SHP) weigh station officer, which led to the seizure of approximately 30 pallets of unstamped tobacco in a semi-trailer. The driver was arrested, and the investigation was supported by the Saskatchewan RCMP's Trafficking Response Team (STRT). STRT determined the truck was carrying about 8.75 million unstamped cigarettes, the largest tobacco seizure in their history. The driver, 25-year-old Vishavpreet Singh from Calgary, is charged with several offenses under the Criminal Code and the Saskatchewan Tobacco Tax Act. He is scheduled to appear in court on August 14, 2024. The article concludes with quotes from Supt. Glenn Church and Corrections, Policing and Public Safety Minister Paul Merriman, praising the partnership between the RCMP and SHP in removing illicit goods from the market.

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Home → News → Male charged after 8.75 million unstamped cigarettes seized from semi trailer

Male charged after 8.75 million unstamped cigarettes seized from semi trailer

August 9, 2024
Swift Current, Saskatchewan

News release

On July 17, 2024, a Saskatchewan Highway Patrol (SHP) weigh station officer conducted an inspection of a semi and trailer on Highway #1 near Swift Current.

The officer determined the semi's bill of lading was false. As a result of subsequent investigation, officers located approximately 30 pallets of unstamped tobacco in the trailer. The driver of the truck was arrested.

The officers contacted Saskatchewan RCMP for assistance. Saskatchewan RCMP's Saskatchewan Trafficking Response Team (STRT) took carriage of the investigation, with the assistance of the Swift Current Rural RCMP detachment.

STRT determined the truck was carrying about 8.75 million unstamped cigarettes, and was travelling from Ontario to BC. SHP indicates that this is the largest tobacco seizure in their history.

As a result of continued investigation, 25-year-old Vishavpreet Singh from Calgary is charged with:

- one count, sell, offer for sale, transport, deliver, distribute, or have in his possession for the purpose of sale a tobacco product, or a raw leaf tobacco that is unstamped, Section 121.1(1), Criminal Code;
- one count, sell, offer for sale of have in his possession a tobacco product unstamped, Section 32(1) Excise Act; and
- one count, possess, store, transport or sell tobacco that is not marked in a prescribed manner, Section 11(8), Saskatchewan Tobacco Tax Act.

He is scheduled to appear in Swift Current Provincial Court on August 14, 2024.

"STRT's mandate is to stop inter-provincial trafficking – both human trafficking and that of controlled substances and firearms," said Supt. Glenn Church from Saskatchewan RCMP's Saskatchewan Enforcement Response Team. "We're grateful for our partnership with the Saskatchewan Highway Patrol, which resulted in millions of illegal cigarettes from entering Canadian communities."

"The great work of the Saskatchewan Highway Patrol's weigh scale officers continues to keep our roads safe, protect our infrastructure and remove illicit goods from the market," Corrections, Policing and Public Safety Minister Paul Merriman said. "Thanks to an attentive officer and our partnership with the RCMP, we were once again able to prevent organized crime from profiting from illegal activity."



Source: [Male charged after 8.75 million unstamped cigarettes seized from semi trailer | Royal Canadian Mounted Police \(rcmp-grc.gc.ca\)](https://www.rcmp-grc.gc.ca/news-releases/2024-08-09)

NL

5 arrested as Mounties seize fentanyl, cocaine and 3 pickup trucks

15,000 pills, millions of contraband cigarettes also seized

Alex Kennedy - CBC News - Posted: Aug 15, 2024 12:47 PM EDT | Last Updated: August 15

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RCMP Supt. Keith MacKinnon shows the findings following five executed search warrants around the Clarenville region. The investigation, called Operation Barcode, has resulted in five arrests. (Heather Gillis/CBC)

Five people in eastern Newfoundland have been arrested in a large drug bust that involved the seizure of weapons, more than 15,000 prescription pills, liquor, pickup trucks and two trailers full of cigarettes.

The 11-month investigation, called RCMP called Operation Barcode, covered what investigators described as "a local organized crime network" across the Clarenville area.

Five search warrants were executed on Friday in Bunyan's Cove, Bloomfield, Terra Nova and Charlottetown.

Members of the RCMP in Clarenville showed their findings to reporters Thursday, which included:

- More than 15,000 pills, including fentanyl, oxycodone and hydromorphone.
- More than 1,600 grams of cocaine — which police said is 98 per cent pure, 400 grams of hashish and almost 750 grams of illegal cannabis.
- More than \$450,000 in cash.
- 12 firearms with ammunition. Police say the guns weren't stored correctly, and that one was loaded.
- Over 650 bottles of liquor
- More than 3.5 million contraband cigarettes.
- Three pickup trucks with two 20-foot utility trailers.



These photos show some of the contraband cigarettes that were recovered in this latter seizure operation in Nfld. The retail price of “disCOUNT” brand contraband cigarettes (the brand shown in the top photo), is \$40/carton. At this price point, the 3.5 million cigarettes in this one seizure alone would represent \$700,000 in revenue to organized crime (17,500 cartons of 200 x \$40/carton = \$700,000). Selling for \$50/carton, the “CANADIAN” brand would represent \$875,000 in revenue.

Looked at differently in terms of the “opportunity cost” this represents to the government, had this volume of cigarettes successfully entered the market as tax-free contraband and thereby displaced that same volume of legal sales at a retail price of \$185/carton of legal-brand cigarettes in Nfld., it would represent a tax revenue loss to Nfld. of over \$1.4 million (tobacco tax revenue of \$65/carton x 17,500 = \$1,137,500 plus Nfld.’s share of HST revenue of \$281,400 = \$1,418,900). The potential loss to the federal government would be almost \$800,000 (federal excise duty of \$37.15/carton x 17,500 = \$650,125 plus GST of \$140,700 = \$790,825). It would also represent a potential loss in gross sales revenue to Nfld. convenience store operators of \$3,237,500.

V. Estimating the Size of the Contraband Market

The size of the contraband market in these five provinces is estimated here using the same methodology as was used in the second EY report. Available measures of overall smoking prevalence (total number of smokers) and consumption (cigarettes consumed per smoker) are used to estimate total annual consumption and then known legal sales volumes are subtracted from it. The residual should represent contraband sales or be a very good proxy for these sales.

Statistics Canada conducts two smoking prevalence surveys on behalf of Health Canada. The first is the Canadian Tobacco and Nicotine Survey (CTNS). The objective of the CTNS is to gather information about the prevalence of cigarette smoking, vaping, and cannabis use in Canada. The second survey is the Canadian Community Health Survey (CCHS). The objective of the CCHS is to gather health-related data at the sub-provincial levels of geography. It uses a larger sample size and poses a broader series of questions than the more narrowly-focussed CTNS.

The results for smoking prevalence from both surveys are shown in Table 3 for these five provinces for the five years 2019 to 2023 (the CCHS survey results for 2023 became available just as this report was about to be finalized; the CTNS results are not yet available).

Smoking prevalence as calculated from the CCHS is quite consistently (although not always) higher for a given year and province than prevalence as measured by the CTNS. The higher of the two results is shown in bold in Table 2. This same pattern of results was observed in the previous EY study. Possible reasons for this discrepancy were outlined in Appendix 4 of that report.

The CCHS questionnaire does not ask respondents for information on tobacco consumption. Therefore, the consumption results that are reported in the CTNS surveys are used here. These are summarized in Table 4.

As was reported in the previous EY study, when this survey data on prevalence and consumption is used to estimate total cigarettes consumed annually in each province the resulting estimate of total consumption in a given year and province is often LESS THAN the CTMC legal sales volume. This is obviously an impossible result and calls into serious question the accuracy of the smoking survey data. The inescapable conclusion is that both these official government surveys understate actual smoking prevalence and/or consumption, and they do so by a considerable margin. This type of downward bias is frequently encountered when conducting surveys involving products like tobacco that are subject to “sin taxes”.⁷

In addition, this downward bias may be growing over time since it may be even greater for those survey respondents who purchase untaxed contraband products rather than legal products. This poses a dilemma for the researcher: how to adjust the survey estimates to compensate for this downward bias?

⁷ See Thierry Gagné, Estimation of smoking prevalence in Canada: Implications of survey characteristics in the CCHS and CTUMS/CTADS, *Canadian Journal of Public Health / Revue Canadienne de Santé Publique*, Vol. 108, No. 3 (2017).

Table 3
Smoking Prevalence by Province, 2019 – 2023
(percentage of the population, including daily and occasional smokers)

Year	Alberta		Manitoba	
	CTNS	CCHS	CTNS	CCHS
2019	9.7	15.5	14.5	14.8
2020	8.9	14.1	13.0	15.4
2021	8.2	11.5	12.8	11.1
2022	12.0	11.4	14.1	11.7
2023		10.8		12.4

Year	Quebec		New Brunswick		Nova Scotia	
	CTNS	CCHS	CTNS	CCHS	CTNS	CCHS
2019	12.5	17.0	16.7	16.3	15.3	18.3
2020	12.2	15.2	9.7	13.2	13.7	13.2
2021	12.3	13.3	8.4	12.4	12.6	13.5
2022	12.3	13.2	15.8	13.2	12.0	15.1
2023		12.5		14.7		13.7

Source: CCHS percentage of population over 12 years and older: [Smokers, by age group \(statcan.gc.ca\)](https://www150.statcan.gc.ca/n1/pub/82-625-x/2020001/article/00001-eng.htm)

CTNS percentage of population 15 years and older:

[Canadian Tobacco and Nicotine Survey \(CTNS\) : 2019 detailed tables - Canada.ca](https://www150.statcan.gc.ca/n1/pub/82-625-x/2019001/article/00001-eng.htm)

[Canadian Tobacco and Nicotine Survey \(CTNS\): 2020 detailed tables - Canada.ca](https://www150.statcan.gc.ca/n1/pub/82-625-x/2020001/article/00001-eng.htm)

[Canadian Tobacco and Nicotine Survey \(CTNS\): 2021 detailed tables - Canada.ca](https://www150.statcan.gc.ca/n1/pub/82-625-x/2021001/article/00001-eng.htm)

[Canadian Tobacco and Nicotine Survey \(CTNS\): 2022 detailed tables - Canada.ca](https://www150.statcan.gc.ca/n1/pub/82-625-x/2022001/article/00001-eng.htm)

Table 4
Average Daily Cigarette Consumption by Province, 2019 – 2022
(among daily smokers)

Year	Alberta	Manitoba	Quebec	New Brunswick	Nova Scotia
2019	9.7	10.8	13.2	13.7	10.9
2020	14.5	10.2	11.8	14.6	18.6
2021	11.1	15.3	10.8	14.6	14.0
2022	12.2	9.9	12.1	11.3	13.1

Source: Table 2.2, *Tobacco Use in Canada: Patterns and Trends, 2022 Edition*, University of Waterloo.

https://uwaterloo.ca/tobacco-use-canada/sites/default/files/uploads/files/tobacco_use_in_canada_2022_4.pdf
[Canadian Tobacco and Nicotine Survey \(CTNS\): 2022 detailed tables - Canada.ca](https://www150.statcan.gc.ca/n1/pub/82-625-x/2022001/article/00001-eng.htm)

One such method was used in a report by the Canada Revenue Agency (CRA) and in the last EY report. In December 2020, the CRA released a report entitled "*The Tax Gap for Federal Excise Duty on Cigarettes*" that presented the results of an analysis it conducted for 2014.⁸ The CRA used CCHS data to measure total cigarette consumption. Although not specifically disclosed in the report, these prevalence estimates no doubt also initially obtained equally impossibly low results for total market consumption. The CRA's solution was to assume that the survey underreported actual prevalence by 35 percent and adjusted the results using an "uplift factor".

Using the CRA's methodology, assuming actual consumption is underreported by 35 percent compared to reported consumption, then actual consumption, when appropriately adjusted, is found using the formula:

Actual total consumption = Reported consumption x the uplift factor, where the uplift factor is:

$$\text{Uplift factor} = \frac{1}{1 - \text{Underreporting rate}} = \frac{1}{1 - 0.35} = 1.54$$

The same methodological approach was used in EY's last report to adjust the reported survey results upward, but a more conservative underreporting assumption of 20 percent was used as well as the 35 percent used by the CRA. Applying the uplift formula, an uplift factor of 1.25 was derived for the underreporting estimate of 20 percent ($1/(1 - 0.20) = 1/0.8 = 1.25$).

When this 1.25 uplift factor was used once again here, the calculated total consumption for some years in some provinces was STILL less than legal consumption. To compensate for this downward bias in both estimated prevalence and consumption, one additional adjustment was made to the uplift methodology used here: the highest daily consumption estimate in a given year from 2019 to 2022 in each province, as shown in Table 4, was used for all years for that province.

The resulting estimates for contraband in each province are reported in Tables 5.1 to 5.5.

The conclusion is that in 2023 contraband likely accounted for 29.4 percent of the total market in Alberta, 45.0 percent in Manitoba, 11.9 percent in Quebec, 52.0 percent in New Brunswick and 38.4 percent in Nova Scotia.

It is interesting to note that Quebec is the source province for much of contraband production (on First Nations reserves) and borders on Ontario, the other source province for contraband production (on First Nations reserves), but despite this fact, contraband is estimated to be at levels significantly lower in Quebec in proportion to the total market than levels in the other provinces. This is attributable to the lower provincial tobacco tax rate and lower price of legal cigarettes in Quebec than in these other four provinces, reducing the price differential between legal and contraband products, as well as a more aggressive resourcing and enforcement of compliance operations by police authorities in Quebec compared to these other provinces.

That said, Quebec's tobacco tax was increased by \$1/pack of 25 (\$8/carton of 200) effective

⁸ Canada Revenue Agency, *Tax Gap for Federal Excise Duty on Cigarettes*, December 2020. <https://www.canada.ca/content/dam/cra-arc/corp-info/excise-tax-gap-en.pdf>

February 9, 2023 and a further \$0.25/pack of 25 (\$2 carton of 200) on March 13, 2024. Since then, there has already been a \$70 million (or 7.1 percent) shortfall in revenue collected compared to its 2023-2024 budget forecast.⁹

The March 13th tax increase was the first of two phased tobacco tax increases that Quebec has already legislated (see Appendix 2). The next \$2/carton increase is scheduled to take place on January 6, 2025 (\$0.25/pack of 25).

The cumulative impact that these relatively smaller tax/price increases will have on contraband bears close monitoring. Experience has shown that small, phased and predictable increases may have a more modest impact on smokers' decisions to substitute contraband for legal purchases than one large surprise increase of equivalent size.

Table 5.1
Assumed Total Consumption, Legal Sales and Contraband Sales: Alberta

Year	Smoker %	Smokers	Cigarettes Per Day	Total Cigarettes Consumed (x 1.25 uplift factor)	CTMC Legal Sales	Difference (Estimated Contraband Sales)	% Contraband Market Share
2019	15.5	568,400	14.5	3,760,321,250	3,253,200,000	507,121,250	13.5 %
2020	14.1	517,400	14.5	3,422,924,375	2,857,000,000	565,924,375	16.5%
2021	11.5	426,400	14.5	2,820,902,500	2,451,900,000	369,002,500	13.1%
2022	11.4	431,000	14.5	2,851,334,375	2,057,600,000	793,734,375	27.8%
2023	10.8	384,500	14.5	2,543,707,813	1,796,300,000	747,407,813	29.4%

Table 5.2
Assumed Total Consumption, Legal Sales and Contraband Sales: Manitoba

Year	Smoker %	Smokers	Cigarettes Per Day	Total Cigarettes Consumed (x 1.25 uplift factor)	CTMC Legal Sales	Difference (Estimated Contraband Sales)	% Contraband Market Share
2019	11.7	129,300	15.3	902,594,812	738,800,000	163,794,812	18.1%
2020	11.1	121,200	15.3	846,051,750	714,400,000	131,651,750	15.6%
2021	12.8	139,762	15.3	975,626,111	667,600,000	308,026,111	31.6%
2022	11.7	129,700	15.3	905,387,062	562,700,000	342,687,062	37.8%
2023	12.4	128,500	15.3	897,010,312	493,000,000	404,010,312	45.0%

⁹ États financiers consolidés du gouvernement du Québec, Comptes Publics 2023-2024, Volume 1, page 12. [Comptes publics 2023-2024 - Volume 1 \(quebec.ca\)](https://www.comptespublics.gouv.qc.ca/2023-2024-Volume-1)

Table 5.3
Assumed Total Consumption, Legal Sales and Contraband Sales: Quebec

Year	Smoker %	Smokers	Cigarettes Per Day	Total Cigarettes Consumed (x 1.25 uplift factor)	CTMC Legal Sales	Difference (Estimated Contraband Sales)	% Contraband Market Share
2019	17.0	1,235,000	13.2	7,437,787,500	6,191,700,000	1,246,087,500	16.8%
2020	15.2	1,105,200	13.2	6,656,067,000	6,116,600,000	539,467,000	8.1%
2021	13.3	974,800	13.2	5,870,733,000	5,800,700,000	70,033,000	1.2%
2022	13.2	975,900	13.2	5,877,357,750	5,206,600,000	670,757,750	11.4%
2023	12.5	869,200	13.2	5,234,757,000	4,611,500,000	623,257,000	11.9%

Table 5.4
Assumed Total Consumption, Legal Sales and Contraband Sales: New Brunswick

Year	Smoker %	Smokers	Cigarettes Per Day	Total Cigarettes Consumed (x 1.25 uplift factor)	CTMC Legal Sales	Difference (Estimated Contraband Sales)	% Contraband Market Share
2019	16.3	106,100	14.6	706,758,625	494,300,000	212,458,625	30.1%
2020	13.2	88,100	14.6	586,856,125	528,000,000	58,856,125	10.0%
2021	12.4	83,100	14.6	553,549,875	462,700,000	90,849,875	16.4%
2022	13.2	90,800	14.6	604,841,500	385,400,000	219,441,500	36.3%
2023	14.7	96,700	14.6	644,142,875	309,400,000	334,742,875	52.0%

Table 5.5
Assumed Total Consumption, Legal Sales and Contraband Sales: Nova Scotia

Year	Smoker %	Smokers	Cigarettes Per Day	Total Cigarettes Consumed (x 1.25 uplift factor)	CTMC Legal Sales	Difference (Estimated Contraband Sales)	% Contraband Market Share
2019	18.3	152,100	18.6	1,290,758,625	832,200,000	458,558,625	35.6%
2020	13.2	111,200	18.6	943,671,000	831,800,000	111,871,000	11.9%
2021	13.5	114,800	18.6	974,221,500	776,000,000	198,221,500	20.3%
2022	15.1	131,400	18.6	1,115,093,250	701,800,000	413,293,250	37.1%
2023	13.7	113,900	18.6	966,583,875	595,700,000	370,883,875	38.4%

On page 10 of this report, it was noted that legal sales in New Brunswick and Nova Scotia were quite resilient in 2020 due to the closure of contraband cigarette factories on First Nations reserves from March to June 2020 as part of the COVID-19 lockdowns and the effectiveness of “Atlantic Bubble” travel restrictions.

As Tables 5.4 and 5.5 above show, the share of the contraband market in New Brunswick and Nova Scotia also dipped considerably in 2020 as a direct result of contraband shipments and supplies briefly drying up. Since then, however, contraband’s market share has continued to sharply increase.

VI. Quantification of Potential Provincial Tax Revenue Loss

Section V of the report estimated the annual size of the contraband market in terms of the absolute volume of contraband cigarettes sold, as well as by the percentage of the total market (legal plus contraband) that they represented each year.

This section of the report provides a quantitative estimate of the potential revenue shortfall these three provinces have likely suffered in the last three fiscal years as a result of contraband sales by assuming that purchases of at least some of the untaxed contraband would have been replaced by purchases of legal products taxed at the prevailing provincial tobacco tax rate.

Multiplying the provincial tax tobacco rate by the quantity of all contraband cigarettes estimated to have been sold each year would establish the upper feasible bound for the tobacco tax revenue loss, but this would be an unrealistically high estimate because a good portion of these untaxed contraband purchases would not be purchased by smokers at the much higher taxed price. Smokers of contraband would instead attempt to cut back considerably on their purchases rather than purchase the same quantities of cigarettes at the higher legal price.

For this reason, it is instead assumed that consumers of contraband cigarettes would reduce their consumption by one half through some combination of reduced smoking prevalence and reduced consumption rather than purchasing the same quantities of tax-paid cigarettes. In other words, the likely provincial revenue loss each year is calculated on the basis of the tobacco tax rate times one half the quantity of contraband cigarettes estimated to have been sold that year. The results for the most recent three-year period, 2021– 2023, are summarized in Table 6, below.

Table 6

Estimate of Tobacco Tax Revenue Loss by Province: 2021– 2023

Year	Alberta	Manitoba	Quebec	New Brunswick	Nova Scotia
2021	\$50,737,844	\$46,203,917	\$5,217,459	\$11,592,444	\$29,257,493
2022	\$109,138,477	\$51,403,059	\$49,971,452	\$28,000,735	\$61,002,084
2023	\$102,768,574	\$60,601,547	\$58,897,787	\$42,713,191	\$54,742,460
TOTAL	\$262,644,895	\$158,208,523	\$114,086,698	\$82,306,370	\$145,002,037

It is estimated that in 2023 alone, the provincial tobacco tax revenue loss may have been over \$102 million in Alberta; \$60 million in Manitoba; \$58 million in Quebec; \$42 million in New Brunswick; and \$54 million in Nova Scotia. Over the past three years in all five provinces taken together, the loss may have totalled over \$760 million. This does not take into account the loss in PST/HST revenue (in all provinces except Alberta) or federal excise duty and GST revenue.

Table 7 presents an estimate of the gross sales revenue realized from the sellers of contraband cigarettes in these five provinces for the same three-year period, 2021– 2023. The gross revenue is derived by multiplying estimated contraband sales by an average price of \$45/carton of 200 cigarettes. Gross revenue from contraband cigarette sales as calculated here adds up to over \$1.3 billion over the past three years in these five provinces alone.

Table 7

Estimated Gross Sales Revenue from Contraband Production and Sale by Province:
2021 – 2023

Year	Alberta	Manitoba	Quebec	New Brunswick	Nova Scotia
2021	\$83,025,563	\$69,305,875	\$15,757,425	\$20,441,222	\$44,599,838
2022	\$178,590,234	\$77,104,589	\$150,920,494	\$49,374,338	\$92,990,981
2023	\$168,166,758	\$90,902,320	\$140,232,825	\$75,317,147	\$83,448,872
TOTAL	\$429,782,555	\$237,312,784	\$306,910,744	\$145,132,707	\$221,039,691

Some of this gross revenue is used to cover contraband production, distribution and sale costs. The rest is realized profit. Where that profit goes and what it finances is beyond the scope of this study, but the production and sale of contraband cigarettes has now clearly become a major criminal enterprise nationally, as illustrated by the revenue generated in each of these five provinces as well as in the three provinces included in the previous EY report.

Conclusions

The evidence and analysis presented in this report suggest that in recent years the market for legal and contraband cigarettes continue to evolve in ways that are disturbing. Only a part of the steep declines in legal sales can be explained by a possible reduction in smoking prevalence. There is considerable evidence that many of these sales are simply being supplanted by a significant increase in the sale of untaxed and unregulated contraband products from First Nations reserves.

Gauging the exact size of the underground economy is by definition difficult, but judging from the evidence examined and the analysis conducted here, contraband is now as big or an even bigger problem in the five provinces here as it has been historically in the provinces of Ontario and Quebec.

It is estimated that in 2023 contraband cigarettes likely accounted for as much as 29.4 percent of the total market in Alberta, 45.0 percent in Manitoba, 11.9 percent in Quebec, 52.0 percent in New Brunswick and 38.4 percent in Nova Scotia.

Accurate measurement of contraband is difficult, in part because the federal government's two survey measures of smoking prevalence and consumption appear to significantly understate actual consumption once contraband is taken into account, as it has been in this report. This also means that the effectiveness of higher tax rates on cigarettes in reducing overall consumption has likely been overestimated. Although tax increases have depressed legal sales, they have certainly also expanded contraband sales. The evidence presented here strongly suggests that latter impact may be greater than the former.

Absent more robust direct measures of smoking prevalence and consumption, it will be difficult for the federal government to accurately track the progress of Canada's Tobacco Strategy and the objective of achieving a 5 percent level of smoking prevalence by 2035.¹⁰

Public confidence in any stated claim that a 5 percent prevalence level has in fact been achieved may also be diminished unless the survey sampling frames are improved and/or the sample size is increased. Most importantly, absent more effective regulation, control and interdiction of contraband cigarettes, it even calls into question whether the goal will be achievable.

To the extent the sale of contraband tobacco displaces the sale of tax-paid tobacco, the impact on provincial treasuries is found to be significant. It is estimated that in 2023, the provincial tobacco tax loss alone (ignoring lost sales tax revenue) may have been over \$102 million in Alberta; \$60 million in Manitoba; \$58 million in Quebec; \$42 million in New Brunswick; and \$54 million in Nova Scotia.

Meanwhile the sale of contraband cigarettes in these five provinces in 2023 likely realized gross revenues for organized crime groups of \$168 million in Alberta; \$90 million in Manitoba; \$140 million in Quebec; \$75 million in New Brunswick; and \$83 million in Nova Scotia, thereby generating profits that fuel their other illegal activities.

¹⁰ See Health Canada, Canada's Tobacco Strategy. <https://www.canada.ca/en/health-canada/services/publications/healthy-living/canada-tobacco-strategy.html>

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Appendix 1

Tobacco Tax Rates

Federal excise duty

\$0.79162/5 cigarettes = \$3.9581/pack (effective April 1, 2023)

Excise duty on cigarettes

Product	Rate effective April 17, 2024	Rate effective April 1 to April 16, 2024	Rate effective April 1, 2023 to April 16, 2024	Rate effective April 1, 2022 to March 31, 2023	Rate effective April 20, 2021 to March 31, 2022	Rate effective April 1, 2021 to April 19, 2021	Rate effective April 1, 2020 to March 31, 2021	Rate effective April 1, 2019 to March 31, 2020
Cigarettes ¹	\$0.92883	\$0.82883	\$0.79162	\$0.74470	\$0.72725	\$0.62725	\$0.62104	\$0.60946

¹ Rates are per 5 cigarettes or fraction of 5 cigarettes contained in any package

https://www.canada.ca/en/revenue-agency/services/forms-publications/publications/edrates/excise-duty-rates.html#_Toc527013627

Alberta tobacco tax

\$0.30/cigarette = \$7.50/pack of 25 (effective March 1, 2024)

\$0.275/cigarette = \$6.875/pack of 25 (effective October 25, 2019)

<https://www.alberta.ca/about-tax-levy-rates-prescribed-interest-rates#tobacco>

Manitoba tobacco tax

\$0.30/cigarette = \$7.50/pack of 25 (effective June 30, 2019)

<https://www.gov.mb.ca/finance/taxation/taxes/tobacco.html>

Quebec tobacco tax

\$0.149/cigarette = \$3.725/pack of 25 (prior to February 9, 2023)

\$0.189/cigarette = \$4.725/pack of 25 (effective February 9, 2023)

\$0.199/cigarette = \$4.975/pack of 25 (effective March 13, 2024)

(increasing to \$0.209/cigarette = \$5.225/pack of 25, effective January 6, 2025)

<https://www.revenuquebec.ca/en/press-room/tax-news/details/2024-03-12/hausse-des-taux-de-limpot-sur-le-tabac-1/>

Contraband Tobacco in Alberta, Manitoba, Quebec, New Brunswick and Nova Scotia:

Impact on Legal Sales and Provincial Tobacco Tax Revenues

New Brunswick tobacco tax

\$0.2552/cigarette = \$6.38/pack of 25 (effective February 1, 2017)

<https://www2.gnb.ca/content/gnb/en/departments/finance/taxes/wholesalers.html>

Nova Scotia tobacco tax

\$0.2952/cigarette = \$7.38/pack of 25

<https://beta.novascotia.ca/sites/default/files/documents/1-1191/tobacco-tax-program-overview-en.pdf>

Appendix 2

Details of Reported CCHS Smoking Prevalence (Number of Persons and Percent) in Alberta, Manitoba, Quebec, New Brunswick and Nova Scotia: 2019 to 2022

Geography	Alberta							
Sex	Both sexes							
Indicators	Current smoker, daily or occasional 6 · 7 · 8 · 9 · 10							
Characteristics ⁵ 11 · 12 · 13 · 14 · 1 5 · 16 · 17 · 18	Number of persons				Percent			
Age group	2019	2020	2021	2022	2019	2020	2021	2022
	Number				Percent			
Total, 12 years and over	568,400	517,400	426,400	431,000	15.5	14.1	11.5	11.4
12 to 17 years	F	F	F	x	F	F	F	x
18 to 34 years	196,500	162,500	120,600	110,400	18.7	15.8	11.9	10.9
35 to 49 years	159,000	168,300	117,000	139,600	16.6	17.8	12.1	14.1
50 to 64 years	156,800	125,700	130,600	122,100	19.5	15.7	16.4	15.2
65 years and over	54,000	55,200	57,800	58,200	9.7	9.6	9.5	9.0

Symbol legend:

x suppressed to meet the confidentiality requirements of the *Statistics Act*

F too unreliable to be published

Source: Statistics Canada. [Table 13-10-0096-10 Smokers, by age group](#)

DOI: <https://doi.org/10.25318/1310009601-eng>

Geography	Manitoba							
Sex	Both sexes							
Indicators	Current smoker, daily or occasional 6 · 7 · 8 · 9 · 10							
Characteristics ⁵ 11 · 12 · 13 · 14 · 1 5 · 16 · 17 · 18	Number of persons				Percent			
Age group	2019	2020	2021	2022	2019	2020	2021	2022
	Number				Percent			
Total, 12 years and over	159,900	168,500	121,200	129,700	14.8	15.4	11.1	11.7
12 to 17 years	F	F	F	x	F	F	F	x
18 to 34 years	45,700	50,600 ^E	35,600 ^E	F	15.0	16.5 ^E	11.8 ^E	5.5
35 to 49 years	43,600 ^E	56,400	27,600	45,700 ^E	17.9 ^E	22.7	11.0	17.6
50 to 64 years	48,400	44,700 ^E	39,200	44,100	20.0	18.6 ^E	16.4	18.7
65 years and over	19,900	15,400	18,400	23,000 ^E	9.9	7.5	8.7	10.4

Symbol legend:

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Source: Statistics Canada. [Table 13-10-0096-10 Smokers, by age group](#)

DOI: <https://doi.org/10.25318/1310009601-eng>

Contraband Tobacco in Alberta, Manitoba, Quebec, New Brunswick and Nova Scotia:

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Geography	Quebec							
Sex	Both sexes							
Indicators	Current smoker, daily or occasional 6 · 7 · 8 · 9 · 10							
Characteristics ⁵ · 11 · 12 · 13 · 14 · 15 · 16 · 17 · 18	Number of persons				Percent			
Age group	2019	2020	2021	2022	2019	2020	2021	2022
	Number				Percent			
Total, 12 years and over	1,235,000	1,105,200	974,800	975,900	17.0	15.2	13.3	13.2
12 to 17 years	17,700 ^E	F	F	x	3.7 ^E	F	F	x
18 to 34 years	376,300	322,600	229,600	235,700	21.4	18.5	13.2	13.7
35 to 49 years	285,300	277,600	251,400	265,500	17.2	16.8	15.1	15.8
50 to 64 years	1,235,000	1,105,200	974,800	975,900	17.0	15.2	13.3	13.2
65 years and over	17,700 ^E	F	F	x	3.7 ^E	F	F	x

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Source: Statistics Canada. [Table 13-10-0096-10 Smokers, by age group](#)

DOI: <https://doi.org/10.25318/1310009601-eng>

Geography	New Brunswick							
Sex	Both sexes							
Indicators	Current smoker, daily or occasional 6 · 7 · 8 · 9 · 10							
Characteristics ⁵ · 11 · 12 · 13 · 14 · 15 · 16 · 17 · 18	Number of persons				Percent			
Age group	2019	2020	2021	2022	2019	2020	2021	2022
	Number				Percent			
Total, 12 years and over	106,100	88,100	83,100	90,800	16.3	13.2	12.4	13.2
12 to 17 years	F	F	F	x	F	F	F	x
18 to 34 years	32,400	22,600 ^E	18,600 ^E	F	23.1	15.8 ^E	13.0 ^E	14.7
35 to 49 years	32,000	23,300 ^E	25,500	20,700 ^E	22.8	16.5 ^E	18.1	14.5
50 to 64 years	25,900	26,500 ^E	23,700	33,800	15.0	15.1 ^E	13.6	19.0
65 years and over	15,000	14,900	14,400	15,200 ^E	9.7	9.2	8.6	8.8

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Geography	Nova Scotia							
Sex	Both sexes							
Indicators	Current smoker, daily or occasional 6·7·8·9·10							
Characteristics ⁵ · 11· 12· 13· 14· 15· 16· 17· 18	Number of persons				Percent			
Age group	2019	2020	2021	2022	2019	2020	2021	2022
	Number				Percent			
Total, 12 years and over	152,100	111,200	114,800	131,400	18.3	13.2	13.5	15.1
12 to 17 years	F	F	F	x	F	F	F	x
18 to 34 years	43,200	25,300 ^E	23,700 ^E	F	21.6	12.6 ^E	11.8 ^E	15.1
35 to 49 years	38,100	32,100 ^E	26,300	F	22.1	18.9 ^E	15.4	13.1
50 to 64 years	51,100	35,900	45,800	52,800	23.9	16.7	21.5	24.3
65 years and over	18,600	16,000	17,000	24,800 ^E	9.8	8.0	8.2	11.7

Symbol legend:

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Source: Statistics Canada. [Table 13-10-0096-10 Smokers, by age group](#)

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